



United States Department of Agriculture

Rural Development

January, 2003

Guaranteed Newsletter

2118 West Park Court, Suite A, Champaign, IL 61821 Phone: 217-403-6200, Fax: 217-403-6243, TDD: 217-403-6240

COMMUNITY PROJECTS

ABUNDANT LOAN GUARANTEE FUNDS AVAILABLE FOR COMMUNITY FACILITY PROJECTS

Not for profit corporations provide essential facilities and services in rural communities such as health care; nursing home and assisted living facilities; mental health, alcohol and substance abuse counseling and treatment centers; workshops, group homes and many others. Up to 90% loan guarantees are available to lenders, who make loans to finance real estate, construction or expansion of buildings, buy equipment and pay other related project costs.

Lenders benefit from the loan guarantee because the guaranteed portion of the loan does not count against their loan limit, the lender's risk is reduced, lower interest rates and longer terms can be offered and the Community Reinvestment Act requirements are addressed. The interest rate may be fixed or variable. Funds are readily available.

State Director, Doug Wilson stated that everyone wins with this program because the bank, the not for profit corporation and the community all benefit. "Local organizations like to bank locally and, of course, often they can get better rates and terms which might make the difference in deciding whether to proceed with an important community facility project," he said.

Agency staff are available to discuss the program with interested lenders and project officials and to assist with application processing.

The Fairfield Memorial Hospital, Marshall Browning Hospital in DuQuoin, Meadows Mennonite Retirement Community Association in McLean County and Clinton County Rehabilitation Center are recent projects benefiting from local bank loans with the USDA guarantee. A new simplified application process was recently implemented.

HOUSING PROGRAMS

ILLINOIS RECOGNIZED AT NATIONAL POLICY MEETING

During the 2002 National Policy Meeting, Illinois was recognized by Arthur A. Garcia, Administrator, Rural Housing Service, for consistent development of a high volume of Guaranteed Rural Housing new loan activity while maintaining an overall and first year delinquency rate below the national average.



RURAL CUSTOMERS NEED YOUR LOANS

Has your guaranteed loan business been slow due to staffing changes within your bank, secondary market problems, competition in the local market, a lack of desire from your loan officers or marketing problems? If these or any other issues are slowing down your guaranteed loan program please contact Patrick Lydic at the Illinois State Office. Once contacted, Patrick with the support of local Rural Development Offices will help to provide ideas on how you can develop a successful, highly-motivated, efficient guaranteed loan program. Contact Patrick Lydic at 217-403-6224.

GUARANTEED RENTAL HOUSING NOTICE PUBLISHED

The Rural Housing Service is now accepting requests from lenders for loan guarantees under the Section 538 Guaranteed Rural Rental Housing Program. A notice was published on December 27, 2002 in the *Federal Register* Volume 67, pp. 79038-79042. Loan rates were previously locked to a treasury security rate, but are now negotiated by the lender and applicant. This fixed rate loan program also provides up to a 250 basis point interest rate buydown to lenders on loan amounts up to \$1.5 million. Larger loans are available without an interest buydown. Loan terms may range from 25 to 40 years for up to 90% of appraisal (97% for a non-profit or public agency). For more information, contact Barry Ramsey at 217-403-6222 (E-mail - barry.ramsey@il.usda.gov) or Arlene Nunes at 202-410-2307 (E-mail: anunes@rdmail.rural.usda.gov).

CAN YOU NAME AT LEAST “10” OF THE TOP GUARANTEED RURAL HOUSING PROGRAM ADVANTAGES ??

- ◆ One time 1.5% RHS Guarantee fee (only 0.5% when refinancing a RHS Direct or Guaranteed loan)
- ◆ No Asset Limitations
- ◆ 100% of Appraisal for purchase / costs
- ◆ No monthly MI premium to the customer
- ◆ No Reserves Required
- ◆ No maximum mortgage limit - limited only by the Buyer's repayment ability
- ◆ Meets CRA requirements
- ◆ Cost Savings to the borrower
- ◆ Unlimited Seller Concessions
- ◆ Compatible with Ameri Dream and various other down payment programs
- ◆ Benefits the Community
- ◆ Income for the Lender
- ◆ Fully marketable in secondary market

USDA, Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington D. C. 20250-8410

RECENT ADMINISTRATIVE NOTICES

AN 3815, Single Family Guaranteed Rural Housing Loan Program Acceptable Liquidation Fees & Costs

The purpose of this Administrative Notice (AN) is to clarify and standardize the reimbursement of attorney and trustee fees incurred for liquidated single family housing loans guaranteed by the Rural Housing Service (RHS). The Following fees for Illinois are deemed to be reasonable and customary: Foreclosures \$1,100, Deed In Lieu \$350, Bankruptcy Chapter 7 \$650 and Bankruptcy Chapter 13 \$1,000.

AN 3816, Acceptable Appraisal Forms Single Family Housing Guaranteed Loan Program (SFHGLP)

The purpose of this Administrative Notice (AN) is to announce that the SFHGLP now permits the lender to instruct its appraiser to use ANY of the following appraisal forms in relation to a SFH loan for, or refinance of a loan secured by, an owner-occupied one-family residential property:

- Uniform Residential Appraisal Report (URAR) (Freddie Mac Form 70/Fannie Mae Form 1004)
- Desktop Underwriter Quantitative Analysis Appraisal Report (Fannie Mae Form 2055)
- Loan Prospector Quantitative Analysis Appraisal Report (Freddie Mac Form 2055)

Expanding the number and type of appraisal report forms will provide lenders with more flexibility and, in some cases, result in reduced closing costs for the loan applicant. A cost approach and remaining economic life is not required unless the lender requests this information or the appraiser determines that the cost approach is greater indicator of value.

AN 3817, Debt Ratios Waivers

The purpose of this Administrative Notice (AN) is to elaborate upon the use of debt ratio waivers when approving loan guarantees under the SFHGLP and RD Instruction 1980-D, § 1980.345. This AN also provides information on potential compensating factors, including credit scores, to be used by the Agency when evaluating a lender's request for a debt ratio waiver.

AN 3819, Utilizing Credit Scores for Underwriting Single Family Housing Guaranteed Loans

The purpose of this AN is to make use of credit scoring technologies to improve the credit quality of GRH loans, and to streamline GRH loan program credit history documentation requirements.

USDA PLAYS KEY ROLE IN RURAL COMMUNITIES

CREATING JOBS AND ECONOMIC INVESTMENT IN AMERICA'S RURAL COMMUNITIES:

In implementing President Bush's vision for job creation and economic development, USDA's rural development programs have helped create or save more than 160,000 jobs in rural America during the past two years. During this time the guaranteed single-family loan program has helped over 57,800 families obtain financing. Illinois has played a key role in leading the way of providing safe and dependable housing finance to rural Americans.

HOME INSPECTOR LICENSING ACT

Effective January 1, 2003, all home inspectors are required to be licensed by the State of Illinois Office of Banks and Real Estate (OBRE). The new licensing affects guaranteed single-family loans in the following way:

Lenders are responsible for obtaining inspections on existing dwellings from a qualified party in accordance with 1980.341(b). AN 3717(1980-D) dated March 1, 2002 authorizes qualified appraisers to complete form HUD-92564-VC Part 2 in conjunction with the Uniform Residential Appraisal Report to satisfy the requirements of 1980.341(b)(1)(i). Note that Part 3 is not required. In addition to form HUD-92564-VC, thermal standards of 1980.313(f) must be met or excepted by an RD loan approval official, as well as individual water inspections and licensed pest inspection. For example, a qualified appraiser could complete the HUD-92564-VC and provide an evaluation of the thermal standard (one component) without violating the act. HUD has advised that the HUD-92564-VC itself is not considered an inspection report and is therefore not subject to the act. HUD's web-site <https://entp.hud.gov/idapp/html/apprlook.cfm> can be used to locate FHA appraisers and can be sorted by license, expiration date, name, city, or zip code. Appraisers cannot certify individual water systems in accordance with 1980.341(c).

GUARANTEED FEE REDUCED

For fiscal year 2003 the guarantee fee for purchases has been reduced to 1.5% and only .5% for refinances. We hope these reductions will help your borrowers take advantage of today's low interest rates.

ELECTRONIC REPORTING

Single Family GRH servicers are now required to report all delinquent accounts electronically each month. Servicers have six (6) business days from month end to report all delinquent accounts. Failure to report by the sixth business day will delay the reporting window for another month. All accounts (delinquent and current loans) must now be reported electronically at the end of each quarter. The next quarter ends March 31, 2003. Annual status reports are no longer required. To learn more contact the Finance Office Guaranteed Loan Branch in St. Louis at guaranteed.loan@stl.rural.usda.gov or toll-free 1-877-636-3789. Download a free copy of the Electronic Data Interface (EDI) Implementation Guide at <http://rdinit.usda.gov/regs>.

STAFFING NOTES

As part of Rural Development's continuing efforts to improve the delivery of our loan programs, our local offices in Harrisburg, Marion, Murphysboro, and Tamms are being consolidated into one processing unit effective February 10th, 2003. Your primary point of contact will be:

James E. Davis
Community Development Manager
USDA, Rural Development
502 Comfort Drive
Marion, IL 62959
Telephone: (618) 993-5396, Ext. 4
Fax: (618) 993-3014

ILLINOIS GRH WEB-SITE

Please visit our web-site to obtain more detailed information on any of the items in this newsletter. Use the web-site to stay up to date with changes and advancements in the delivery and servicing of the Guaranteed Single Family loan program.

<http://www.rurdev.usda.gov/il/grh.htm>

BUSINESS & INDUSTRY

NEW ELIGIBLE RURAL AREA DEFINITION FOR B & I LOANS

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) changes the definition of a rural area for the Business and Industry Guaranteed Loan Program. Rural areas are now defined as *any area other than a city or town that has a population of greater than 50,000 inhabitants and urbanized area contiguous and adjacent to such city or town, as defined by the U. S. Bureau of Census using the latest decennial census of the United States.*

Lenders and the general public can make a rural areas determination by accessing the website at <http://maps.ers.usda.gov/loanlookup/viewer.htm>. It is helpful to have the zip code of the proposed project location available.

BUSINESS & INDUSTRY LOAN APPLICATIONS BEING ACCEPTED

Ample funding for the Guaranteed Business and Industry (B&I) loan program is available this new fiscal year. State Director, Doug Wilson encourages lenders needing a loan guarantee for a new or expanding business to consider the B&I Program. "I have asked our staff to inform lenders, businesses and the general public about our program so we can do our part in sustaining economic development in rural areas," Wilson said. USDA staff are available to meet with lenders to explain our loan guarantee programs and to assist with processing an application.

The purpose of this program is to finance quality business, which will have lasting benefits. Business loan guarantees enable lenders to offer the loan term and interest rate needed for businesses to be successful. Funds may be used to purchase real estate, construct new facilities, expand or improve existing facilities, buy equipment and machinery for working capital. The guarantee fee is 2% of the guaranteed portion of the loan. Guarantees are offered at 80% for loans of \$5 million or less.

A variety of businesses have been funded recently including a wholesale nursery, a lumber yard, an equipment manufacturing company, a fertilizer dealer, a valued-added corn processing business, a motel, a pork processing facility, a coal mine and others. All types of businesses, not just agricultural related businesses, are eligible.

Important application requirements for the B & I Program are:

- A pro forma balance sheet at closing and for the first two years of operation prepared in accordance with generally accepted accounting principles.
- Income and expense statements and cash flow statements for two years supported by a list of assumptions.
- A minimum tangible balance sheet equity of 10% for existing businesses and 20% or more for new businesses.
- A detailed business plan or in some cases feasibility study.
- Dollar for dollar collateral after the lender's discount and any prior liens.
- Meeting the lender's credit standards and policies

BUSINESS & INDUSTRY LOANPACK 2000

Rural Development has released a new software system to help lenders complete the Business and Industry (B&I) loan guarantee application.

The purpose of the software program is to automate the process of filling out the forms associated with applying for a business and industry loan guarantee. After you load the B & I Loanpack 2000 program onto your computer, you will be able to enter the required information and print out the forms. The intent is to reduce the time it takes to fill out the required forms by capturing the data one and transferring it to the appropriate forms. Data collected on one screen may show up on several different forms.

The Loan pack can be downloaded from: www.rdirm.usda.gov/simb The B&I Loanpack 2000 includes a copy of the forms needed to complete and application and the Rural Development regulations used to administer the program.

The Rural Development home page at www.rurdev.usda.gov has information about other programs.